HEUBLEIN, INC. 1968 ANNUAL REPORT

A World Company

Heublein, Inc. /1968 Annual Report

330 New Park Avenue, Hartford, Conn.

Cover—Photographed in a series of 16 one-second exposures at f/22, a bottle of Smirnoff projects a compass-like, kaleidoscopic pattern symbolizing its worldwide appeal.

Heublein, Inc./Contents

Heublein, Inc. / Officers and Directors

Directors

DEWALT H. ANKENY
CHRISTOPHER W. CARRIUOLO
MARY G. FALVEY
PETER M. FRASER*
EDWARD H. HAMM
RALPH A. HART*
ED W. KELLEY*
THOMAS D. MANN
JOHN G. MARTIN*
ARTHUR A. MILLIGAN
WILLIAM H. MORTENSEN*
FRANCES HEUBLEIN O'DELL
JOSEPH A. PROCHASKA
RICHARD RAPPORT
LESTER E. SHIPPEE*
ROBERT L. TRESCHER
STUART D. WATSON*
J. HAROLD WILLIAMS

**Members of Executive Committee*

Corporate Officers

RALPH A. HART
Chairman

JOHN G. MARTIN
Chairman of the Executive Committee

STUART D. WATSON
President and Chief Executive Officer

ED W. KELLEY
Executive Vice President

CHRISTOPHER W. CARRIUOLO
Senior Vice President
General Manager, Spirits and Wine Division

JOSEPH A. PROCHASKA
Senior Vice President
Corporate Research and Development

PAUL R. DOHL
Vice President-General Counsel

EDWARD L. HENNESSY, JR.
Vice President-Finance

JOSEPH M. MCGARRY
Vice President-Public Relations

JOHN M. TYSON, JR.
Vice President
General Manager, Consumer Products Division

KURT E. VOLCKMAR
Vice President
General Manager, International Division

MARY G. FALVEY
Secretary

JOHN J. MORAN
Treasurer

Officers of Divisions and Subsidiaries

Spirits and Wine Division

WILLIAM W. BEHRMAN
Vice President
Arrow Liquor Sales Company

RICHARD F. LARKINS
Vice President-Control States

E. JAMES STRANGER
Vice President-Open States

WALTER E. COHAN
Vice President-Marketing

CHARLES J. HERBERT
Vice President
Smirnoff Sales Company

EDWARD F. MURPHY
Vice President-Control States

E. R. TROWSDALE
Vice President-Don Q Imports Co.

DONALD R. JACKSON
Vice President-Controller

RICHARD F. NELSON
Vice President-Manufacturing

MARTIN J. O'HAGAN
Vice President
Vintage Wines Company

Consumer Products Division

DAVID F. THAYER
Vice President-Sales

JOHN P. WILLIS
Controller

Theo. Hamm Brewing Company—*Subsidiary*

RALPH A. HART
Chairman of the Board and President

WILLIAM HAMM, JR.
Honorary Chairman of the Board

ROY M. WESTLY
Executive Vice President

ARTHUR W. CROSSLEY
Vice President-Secretary

JAMES R. FRASER
Vice President-Production

ROBERT D. HIRSCHBOECK
Vice President-Sales Manager
San Francisco Division

LEONARD L. JOHNSON
Vice President-Marketing

ROBERT E. LIVINGSTON
Vice President-Sales

WILLIAM E. SPENCER
Vice President-Sales Manager
Los Angeles Division

HERMAN G. VEDDER, JR.
Vice President-Sales Manager
St. Paul Division

WILLIAM W. WADEL
Vice President-Sales Manager
Houston Division

JOHN F. KELLER
Vice President-Controller

ROBERT D. TOUGH
Treasurer

Heublein, Inc. / The Year in Brief

1967	1968	Years ended June 30
$362,847,000	$383,972,000	Net sales
27,925,000	30,244,000	Income before provision for income taxes
13,790,000	15,677,000	Income taxes—federal and state
14,135,000	14,567,000	Net income
1.07*	1.11	Net income—per common share (after federal tax surcharge equal to $.07 in 1968)
.58*	.68	Cash dividends declared—per common share
34,478,000	38,927,000	Working capital
81,961,000	87,206,000	Total stockholders' equity
2.05*	2.58	Stockholders' equity—per common share
12,192	13,961	Number of common shareholders

**1967 per share figures have been adjusted for 2-for-1 stock split in October, 1967.*

Heublein grew at a rapid pace in fiscal 1967-1968.

Sales and earnings reached new highs for the eighth consecutive year. Production capacity was increased at major plants. Twenty new products were brought to market while established product lines grew at record rates. A new corporate structure was effected giving greater responsibility to the operating groups and making broader use of staff and planning units.

This puts the company in a strong position to further its present business and to capitalize on new opportunities for growth.

New sales and earnings records have been set every year since the company became a public corporation in 1959. This year continues the trend.

Sales totaling $383,972,000 were up from $362,847,000 a year ago. Net income was $14,567,000, compared with $14,135,000 in the previous year. Earnings per common share, after federal tax surcharge of $.07 per share, amounted to $1.11, compared to $1.07 a year ago. Without the tax surcharge, earnings per share increased 10.3%.

Stuart D. Watson

John G. Martin

Ralph A. Hart

Appearing in Fortune Magazine's list of the top 500 U.S. corporations for the first time in 1966, Heublein improved its standing in 1967. It moved up to 346th place from 371st on the basis of greater sales volume.

Growth in earnings per share, at a compounded rate of more than 13 per cent over the past ten years, rated it 76th among the top 500 companies.

Capital expenditures of nearly $8 million this year provided for expanded production facilities at liquor plants in Allen Park, Mich., Menlo Park, Calif., and Hartford, Conn.; at the food plant in Oxnard, Calif., and at Hamm's brewery in Los Angeles.

Smirnoff Vodka sales reached a new high this year. They grew at a rate 50 per cent greater than the total U.S. spirits industry.

Sales of Heublein prepared cocktails were also at a record level despite a heavy inventory of new forms of cocktail mixes in the trade and a price increase on bottled cocktails by Heublein.

Introduction of a new dry mix cocktail and a popular new canned cocktail broadened Heublein's leading position in the cocktails market.

Our Arrow brand cordials also moved into a stronger position this year.

Heublein's steady growth over the years has derived from the progress of its established business and the acquisition of others with good potential. This year we acquired Don Q Imports, Inc., U.S. distributor for Puerto Rico's leading brand of rum, and signed a long-term agreement with Gilbeys (Canada) Ltd. for distribution of Black Velvet Canadian Whisky in the United States.

These two steps, the earlier acquisition of Jose Cuervo Tequila—and the leadership of Smirnoff—give the Company an enviable position in the fastest-growing categories of distilled spirits.

Theo. Hamm Brewing Co., a subsidiary, maintained its earnings level while successfully entering new markets and introducing new products and packaging. This year Hamm also achieved a major technical breakthrough that enables beer to hold its flavor longer.

Our international market continues to grow at a dramatic rate. Direct export sales of the International Division were up considerably, and royalties from Smirnoff licensees contributed more than $1 million to corporate revenue.

A.1. Steak Sauce continues to be the leading performer among the Company's specialty food products. It is the nation's best-selling meat sauce and sales this year significantly increased its lead.

New strength was added to nearly every level of management this year following the decision to decentralize control over production, sales and finance from the corporate headquarters to the operating divisions and subsidiaries. At the same time, a top-level Corporate Development group was established with responsibility for growth planning through the development of new business and through acquisitions.

Staff services, including finance, legal and public relations, were broadened to serve all divisions and subsidiaries.

A total of 116 executives received new and added responsibilities to complete the new organization structure.

In a planned succession of authority, the board elected the president, Stuart D. Watson, chief executive officer; Ralph A. Hart continues as chairman. John G. Martin serves in the top management group as chairman of the executive committee.

We appreciate the support of our shareholders who increased in number last year to almost 14,000, and we are grateful for the help of our agencies and counsel.

With a strong organization, a dedicated management team, a growing business in well-established products and a greater capacity for developing and acquiring new ones, we look to the future confident that we will share in its increasing opportunities.

President and Chief Executive Officer

Chairman of the Executive Committee

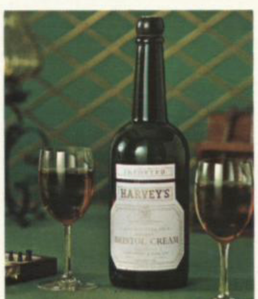
Chairman of the Board of Directors

New Fashions in Drinks...

Setting new fashions in drinks, a marketing concept introduced by Heublein, substantially increased its business and sparked a worldwide revolution in the distilled spirits industry.

For example, Smirnoff's versatility as a spirit made vodka fashionable in the United States and introduced an array of new drinks, such as "The Smirnoff Mule," "The Bloody Mary," "The Screwdriver," "The Bullshot," and the recent "Smirnoff blizzard." It popularized the light alcoholic beverages—gin, tequila, rum and prepared cocktails and made them fun to serve on more occasions.

Honoring its taste-setting tradition, Heublein invited designer Rudi Gernreich to create a far-out fashion collection to match its most imaginative drinks. The collection, which appears in a nationwide promotion of famous Heublein drinks, is shown on the following pages.



SPIRITS AND WINE DIVISION

Smirnoff led the way to record sales and earnings for the Spirits and Wine Division this year.

Smirnoff sales were up nearly 7.5 per cent for the year ended June 30, 1968. This increase is about 50 per cent greater than the increase of all distilled spirits sales in the U.S. this year.

Smirnoff's performance reflects the dominant position of the brand, the growing demand for lighter alcoholic beverages and a definite trend toward more leisurely living in the United States.

Smirnoff, the nation's third best-selling brand for the past two years, is now moving toward second place. It is already in that position internationally. Worldwide sales amounted to more than four million cases this year.

The appeal of lighter alcoholic drinks, that may be consumed moderately on more occasions, characterizes what the spirits industry calls "the entertainment boom" that began in the United States in the early 50's. What was regarded as a phenomenon then has become a discernible characteristic of the pattern of life in the nation today. Consumers prefer lighter drinks.

Increasing time for travel, vacations and leisure time activities have broadened the opportunities for sales of distilled spirits well beyond previous markets.

More alcoholic beverages are consumed at home, and more meals are taken outside the home accounting for increased consumption of spirits and wine. More women are consuming alcoholic beverages and more of them are making the purchases. They purchase about 50 per cent of all packaged liquors.

Their preference for flavorful drinks is a factor in the increased sales of Heublein bottled cocktails and of the Company's Arrow brand cordials.

Smirnoff is Versatile

Smirnoff, the versatile, light alcoholic beverage that can be served "on the rocks" or mixed with any one of a wide selection of fruit, vegetable and carbonated drinks, does well in this changing market.

Its versatility has made fashionable such drinks as the "Smirnoff Mule," "The Bloody Mary," "The Screwdriver," and "The Bullshot," and has led to the fashion concept in marketing distilled spirits. A new drink a year has been introduced by Smirnoff for the past several years and most have become household standards.

This year, Smirnoff, the best-selling brand of vodka, joined with Fresca, the fastest-growing carbonated beverage, to introduce "The Smirnoff blizzard."

Heublein and the Coca-Cola Company joined in this promotion, the largest ever undertaken in the distilled spirits industry. More than $5 million was invested in newspaper, magazine and outdoor advertising and in sales promotion.

A Smirnoff "blizzard" party, held in Los Angeles where Smirnoff started its climb to success more than 20 years ago, attracted nationwide attention in the daily newspapers, radio, television and trade press.

The event was planned to show the appeal of Smirnoff to young adults in the 21-35 age group. This trend-setting group represents about one-third of the adult population in this country and accounts for nearly half the vodka consumed here. It is the fastest-growing segment of the population, with about three-quarters of a million being added each year.

New Cocktail Markets

The changing mode of life in the United States, increased affluence and other factors contributing to Smirnoff's improved performance helped boost domestic sales of Heublein cocktails 19 per cent this year.

Heublein bottled cocktails had more than twice the sales of the next most popular brand and an increased share of the market. These gains were made despite the entry of other forms of cocktail mixes into the market and a price increase on bottled cocktails by Heublein.

Five new drinks were introduced to the Heublein line during the year, bringing the total to 19. Newest additions are the Tequila Sour and Black Russian; both are marketed nationally. The Brandy Manhattan, Mai-Tai and Apricot Sour were introduced in select regional markets where conditions are particularly favorable.

A good part of the increase in the domestic sales of cocktails came from the swift success of a spanking

A silvery flight suit by Rudi Gernreich and versatile Smirnoff illustrate a fashion trend that has the world coming back for more.


SMIRNOFF
VODKA

new product—the canned cocktail. It's another Heublein "first."

Mixed cocktails, packaged in eight-ounce cans, were introduced at mid-year under the brand name "Club Cocktails" and scored an immediate success. The acceptance in California, largest liquor market in the United States, exceeded all previous trade records for the introduction of a new product. This recalls the fact that Heublein introduced the first mixed cocktails in bottles more than 75 years ago and built the world market for this product.

It tried packaging cocktails in cans four years ago but withdrew from the effort because of technical difficulties. Further work on the package by research scientists from Heublein and a packaging firm led to improvements and the successful introduction of the canned cocktails this year.

Club Cocktails have an alcoholic content less than full-strength cocktails and stronger than beer. They need only be chilled to serve. They stack easily in a refrigerator or cooler. With these advantages, Club Cocktails can go anywhere a beer can goes. The six cocktails in the line are the Martini, Whiskey Sour, Daiquiri, Margarita, Manhattan and Screwdriver.

Cordials Grow

Arrow cordials and brandies, the Company's largest line of flavorful drinks and the nation's second most popular brand of cordials, had an impressive 20 per cent sales gain this year. Sales grew at a rate three times that of all cordials in the U.S. market.

In California, the leading U.S. liquor market, cordials were listed among the ten most popular types of drinks in a trade survey, emphasizing the growing popularity of flavorful drinks.

Arrow added to its sales force this year to increase the coverage and penetration of its market. It backed this expansion with sustained national advertising and plans to double its promotional effort in the year ahead.

New Business Acquisitions

Heublein continues to make important acquisitions and long-term sales agreements to strengthen its position in the growing segments of the spirits market.

It acquired Don Q Imports, Inc., sole distributor of Don Q Rums, the leading rum brand in Puerto Rico. It also acquired exclusive long-term rights to U.S. sales of Black Velvet Canadian Whisky, a growing brand.

These two distilled spirits, along with vodka, Scotch and bottled cocktails, are forecast to grow by 50 per cent in the next four years.

Rum consumption in the United States increased 17 per cent to more than 3.2 million cases in 1967, and most of it came from Puerto Rico.

Canadian whiskies have doubled in popularity in ten years and are expected to maintain this growth rate over the next five years.

Heublein is in a unique position with representative brands in all eight of the fastest growing categories of distilled spirits.

Bell's eight and twelve year-old Scotch, Scotland's best-selling Scotch, had a sizable increase in U.S. sales this year.

U.S. rights to Jose Cuervo Tequila, the world's leading tequila brand, were acquired by Heublein just two years ago and since then consumption of tequila in this country has more than doubled. Jose Cuervo accounted for nearly half of the half-million gallons sold in the U.S. in 1967.

Like Smirnoff, Jose Cuervo Tequila gained its first popularity on the west coast and from there spread across the country. Like vodka, tequila is a light, white spirit with a wide variety of uses in mixed drinks. For these reasons observers believe it may rival Smirnoff's rapid rise.

Vintage Wines

The Company markets a wide variety of imported wines, most of them through its Vintage Wines Co., of New York City.

Consumption of imported wines increased in this country this year at a rate 30 per cent greater than domestic wines. Consumption of all wines was up substantially and exceeded one gallon per capita for the first time.

Whatever the occasion, Lancers Vin Rose is the stylish touch that puts things right.

LANCERS
1963

The European concept of wines served with food and as food is gaining popularity in the United States, particularly among young adults. This is partly as a result of increased overseas travel and partly from heavier promotion.

A previously noted trend toward flavorful light alcoholic drinks, that may be consumed in moderation on more occasions, is another factor contributing to the growth of wine sales.

Lancers is Popular

Lancers Vin Rose is a good example of a popular wine in the United States. It is the nation's leading imported table wine. A light, tingling, rose wine that comes in a distinctive crock container, it is a good choice to serve on all occasions.

Since Heublein acquired world rights to the brand in 1965, sales have quadrupled. Sales were up 50 per cent this year over last. Effective television advertising and retail promotion contributed to these gains. Plans are underway to double the production capacity of the famous Lancers' winery, near Lisbon, Portugal.

Heublein has represented the renowned Harveys brand of wines for more than ten years and in that time their sales in the United States have tripled. This year sales totaled almost 200,000 cases.

Harveys Bristol Cream accounts for one-third of the imported sherry market in this country and its share of the market is growing. It was advertised on network television for the first time this year with a resultant substantial increase in sales.

Variety of Wines

Other varieties of table wines marketed by Vintage Wines Co. include the Bertani line of fine Italian wines, as well as French, German, Spanish, Hungarian and Yugoslavian imports.

Vintage has successfully promoted these products beyond the ethnic markets in the United States for which many of them were originally imported. Felipe II Spanish Brandy has had a tenfold increase in five years.

At the close of the year Heublein acquired rights for the U.S. distribution of Kiku-Masamune Sake, Japan's leading brand of sake. Sake relates well to the trend toward lighter alcoholic drinks and mixes with other spirits such as vodka and gin to make interesting new tastes such as the Sake-tini, a variation of the Martini.

THEO. HAMM BREWING CO.

Theo. Hamm Brewing Co., a Heublein subsidiary, had a successful year marked by the introduction of new products and processes, a successful entry into the Detroit market and effective cost controls.

A four-week strike against all breweries in northern California at the peak of the sales season reduced sales in the important western and northwestern markets and adversely affected earnings.

Hamm's, the nation's ninth largest brewer, with breweries in St. Paul, San Francisco and Los Angeles, serves a market that lies principally west of a line from Illinois to Texas.

A year ago it entered Detroit and adjoining areas of that metropolitan market for the first time and by the end of this fiscal year had secured a significant share of the market.

Significant Breakthrough

Technical researchers at Hamm's announced a revolutionary new way of adding hops to beer that smooths out its flavor, improves flavor stability and enables beer to keep its fresh-brew quality for a longer period of shelf-life. The announcement was received by the industry as the most significant advance since the application of pasteurization, which enabled beer to be packaged in bottles and cans for the first time.

Hamm's beer produced by this new process began reaching major markets by the close of the fiscal year. A heavy radio and television advertising campaign in support of "The Smooth" Hamm's beer was introduced during the summer selling season.

Velvet Glove, an all-malt liquor product with an alcohol content stronger than beer and a light wine taste, has gained popularity among young adults. It was tested in five regional markets that afforded heavy television support, and sales in the first nine months

It's a "mod," "mod" world with Hamm's, the beer refreshing.

gave Hamm's 15 per cent of the test market.

Hamm's is recognized as an innovator in packaging. It was the first to put draft beer in regular and king-size aluminum cans and the first to convert all of its canned beer to seamless all-aluminum containers. When it made the move to cans, sales jumped appreciably and canned beer sales have grown each year since. Its rate of sales increase for canned beer exceeds that of the industry.

This year it put the new select-shape non-returnable bottle with a twist-off cap into a six-pack cardboard carrier and had an increase in bottle beer sales.

A new plastic carrier that packages six cans of beer with a series of interconnected plastic neckbands replaced the cardboard wrap and produced considerable savings. A new, shrink-film plastic wrapper, promising even greater savings, is being tested in the California market.

Substandard conditions in a leased brewery at Houston resulted in Hamm's closing it late last year. This helped generate sizable savings in fiscal 1967-68. The Texas, New Mexico and Oklahoma markets are being served by the St. Paul brewery.

The expansion of production capacity at the Los Angeles brewery from 450,000 to 840,000 barrels was completed this year and will have its full impact on that market in the year ahead.

CONSUMER PRODUCTS DIVISION

Imaginative and effective promotion of existing products and the successful introduction of new ones increased the sales of the newly-constituted Consumer Products Division and contributed importantly to corporate performance.

Choice of the name, Consumer Products Division, in place of Food Division, shows the broader perspective with which it views its future.

Of the Division's five specialty food brands, A.1. continues to be the outstanding performer. It increased its lead as the nation's No. 1 meat sauce, achieving growth in rate of sales and share of market.

A.1. sales climbed 228 per cent in the past nine years . . . nearly three times faster than all competitive brands combined. Because of A.1.'s performance, meat sauce has one of the fastest growth rates of all grocery store product categories.

Its performance enables A.1. to attract enviable partners for joint promotions. Among them last year were Reynolds Metals Company, Standard Brands, Inc. and Hunt-Wesson Foods, Inc.

Last fall Reynolds aluminum wrap and A.1. joined in a successful promotion showing how low-cost meats can be conveniently and tastefully prepared. A.1. sales responded with a marked increase.

This spring and summer, A.1. appeared in national advertising sponsored jointly with Hunt-Wesson Foods to show how A.1., tomato sauce and Wesson oil combined to make delectable barbecues.

Promotions Spur Sales

Promotions of this kind spur A.1. sales to the consumer through the association of ideas and broader exposure. The joint advertising and promotion reaches a broader audience at a fraction of the cost.

Coincident or additional in-store promotions also feature A.1. in seasonal buying events as the taste maker for holiday dishes and outdoor cooking.

The flexible marketing strategy of A.1. perfected over the years combines in-store promotions with heavy advertising, chiefly in magazines and television. Advertising expenditures were at a record high this year and are planned to exceed that next year.

With its popularity as a tasty pour-on well established, A.1. is using television commercials to increase its use as a flavor additive for fish, eggs, soups and gravies.

The quality of the product, its broad appeal and the variety of its uses put A.1. in a position to relate well to the mass of consumers whose tastes are changing and whose incomes are rising.

With national sales mounting, A.1. production was started at the food plant in Oxnard, Calif., to serve western states. Previously, all A.1. was made in the Hartford, Conn., plant.

The Division's Escoffier brand Sauce Robert and Sauce Diable are also in the meat sauce category

Recipes may differ, but the sure touch of style is a Heublein specialty food.

A1
STEAK SAUCE
A1
STEAK SAUCE
SAUCE ROBERT
SAUCE DIABLE
PEPPERS
SAUCE

whose U.S. sales grew more than 115 per cent in the past nine years.

Bearing the brand name of one of the world's most renowned chefs, Georges Auguste Escoffier, these two sauces appeal to that growing segment of the consumer market with discriminating taste and the income to indulge it.

They are sold mostly to fine restaurants, specialty food stores and airline chefs' kitchens. Sales gains are largely the result of satisfied users, samplings in an increasing number of quality restaurants and selective advertising.

Another Division product with an impressive sales record is Grey-Poupon Dijon Mustard. A snappy mustard with a white wine base, it has been a favorite in Europe for many years. Heublein acquired U.S. rights to the brand last year after producing it for more than a decade as a licensee. Sales have nearly doubled in the past four years and were up more than 15 per cent again this year, chiefly in urban areas.

This gain is especially noteworthy when compared to the rest of the U.S. mustard business which has been generally static.

Snap-E-Tom Tomato Cocktail

Of the products acquired with Coastal Valley Canning Company in 1966, the most consistent and exciting sales gainer is Snap-E-Tom Tomato Cocktail. Sales were up another 15 per cent this year from a base that has grown more than 200 per cent in three years.

Gains were made throughout the country but were heaviest in the west and midwest where marketing activities were concentrated this year. Snap-E-Tom's consumer appeal is increasing two ways — as a hot chile-tomato juice cocktail and as a spicy mix for Smirnoff in making Bloody Marys.

Also on the hot side of the taste spectrum offered by Heublein products are its Mexican-style foods. The Division markets Ortega brand chile peppers, green chile salsa, pimientos, taco sauce, enchilada sauce and jalapenos peppers.

A recent national survey indicated that of the U.S. homes serving foreign dishes at least once a month, 22 per cent enjoy Mexican-style foods. Mexican foods ranked next to Italian foods and well ahead of prepared French or German foods.

Ortega brand products are most popular in California and the southwest. A program was started this year to broaden the western market and enter new areas.

The introduction of "Tonight," as the newest entry in the dry mix cocktail market, demonstrates Heublein's growing strength in new product development.

Months of advance research on every aspect of the problem, from product concept to packaging and pricing, were carried out by a professional team of Heublein and consulting experts.

Introduced in Florida and Texas test markets and subsequently in Atlanta and Cleveland, "Tonight" secured a sizable share of the markets against strong competition from well-entrenched brands.

"Tonight" comes in ten flavors—Whiskey, Bourbon, Scotch, Vodka and Gin Sours, the Daiquiri, Margarita, Mai-Tai, Gimlet and Collins.

All the ingredients for a drink, except alcohol, ice and water are packaged in an aluminum Jolly Jigger—six of them in a box. The Jigger, exclusively designed for Heublein, also serves as a measure.

Prior research showed that consumers prefer two to three different types of spirits. It also showed that drinks are served more frequently at home with more women participating as consumers and more of them making the purchases. "Tonight" was designed to appeal to this new segment of the market.

Since the "Tonight" program was started just a year ago, the New Products Development group has been incorporated in a top-level Corporate Development unit with broader responsibilities.

INTERNATIONAL DIVISION

International sales of Heublein products showed a dramatic increase again this year.

Direct export sales by the International Division were up 30 per cent, and sales by Smirnoff licensees around the world increased 15 per cent.

Smirnoff is now the second best-selling brand of

At a gay party or in a thoughtful mood,
Heublein provides the light spirits that are always in vogue

liquor internationally. Royalties received from licensees exceeded $1 million during the year and were more than double what they were just five years ago.

Smirnoff sales are growing almost as fast in the well-established markets overseas as they are in new markets. More than 300,000 cases were sold in the United Kingdom during the year. Canada and South Africa are approaching the 250,000 case level.

Sales in Ireland were up 28 per cent and El Salvador, now selling throughout the Central American Common Market, increased Smirnoff sales 82 per cent.

New Licensees

Four new licensees began producing this year in Denmark, Guyana, Iran and Uruguay. Two more are scheduled to start in Greece and Tunisia in the coming year.

Although Smirnoff was practically unknown in Iran and Guyana, because import duties had restricted its sales there, the Iranian licensee, in the first six months of operations, sold 9,000 cases, and the Guyana licensee in seven months sold more than 6,000 cases.

All Smirnoff licensees produce according to exact quality specifications set by Heublein and use Heublein materials and equipment.

El Salvador became the first licensee to make and market Heublein Cocktails outside the United States. Seven varieties are being produced there, and the initial sales are most encouraging. As with Smirnoff, Heublein Cocktails are produced under carefully-controlled quality standards set by Heublein, Inc.

Case sales of Heublein Cocktails have tripled in the Caribbean market since the Company's Bahamas subsidiary began bottling operations there three years ago. The subsidiary also increased its sales of Smirnoff 15 per cent this year.

PROVIDING FOR GROWTH

The steady growth of the Company in the past ten years reflects the emphasis it puts on management development. This emphasis was demonstrated this year when control over production, sales and finance was decentralized from corporate headquarters into each of the operating divisions and subsidiaries.

The move, involving all operating and staff units, was accomplished with a high degree of morale and maximum effectiveness while attaining record sales and earnings goals.

Looking ahead, the Company is in a favorable position to maximize its potentials and opportunities for further growth.

A total of 116 executives have received new and added responsibilities. Most of them were advanced from other positions within the Company. New brand managers and staff executives, for example, were drawn from among those who entered the Company through a highly successful college recruiting program. The average age of middle managers now stands at 37. Where special talents were not available within the Company, highly qualified executives were selected from outside.

The Smirnoff and Arrow sales companies and the Hamm's subsidiary concentrated on strengthening their field sales forces during the year. Hamm's also appointed experienced new managers to head up its finance, research and packaging activities.

Field Forces Training

A training program designed for field salesmen of the Spirits and Wine Division and another on data processing for key management personnel were instituted this year with good results.

The strengthening of nearly all areas of the Company's management has led to a review of the management bonus plan in order to relate it to division performance as well as individual and corporate performance.

An upgrading of the insurance and retirement benefits program, completed this year, puts Heublein among industry leaders whose foresight and planning enables them to attract and hold good people in a highly competitive market for talent.

Long-term contracts were successfully negotiated during the year with liquor and brewery production employees giving greater assurance of uninterrupted operations.

Heublein, Inc. / Consolidated Statement of Income

1967	1968	Years ended June 30
$362,847,000	$383,972,000	Net sales
277,815,000	292,690,000	Cost of sales
85,032,000	91,282,000	Gross profit
		Expenses:
50,297,000	52,900,000	Selling and advertising
7,324,000	8,855,000	Administrative and general
57,621,000	61,755,000	
27,411,000	29,527,000	
		Other income (deductions):
317,000	201,000	Interest income
381,000	758,000	Gain on sales of assets—net
(381,000)	(231,000)	Interest expense
197,000	(11,000)	Miscellaneous—net
514,000	717,000	
27,925,000	30,244,000	Income before provision for income taxes
		Provision for income taxes:
12,700,000	14,296,000	Federal
1,090,000	1,381,000	State
13,790,000	15,677,000	
$14,135,000	$14,567,000	Net income
$1.07	$1.11	Earnings per share of common stock (after federal tax surcharge equal to $.07 in 1968) (Note 3)

1967 figures have been reclassified to conform to 1968 classifications.
See accompanying notes, pages 19 to 21.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Acquisition of Don Q Imports, Inc.

Effective January 1, 1968, the Company acquired, for $150,000, all of the outstanding common stock of Don Q Imports, Inc. The operations of Don Q, which are not material in the consolidated financial statements, have been included therein since the date of acquisition. On January 1, 1968 the liabilities of Don Q exceeded the tangible assets by $1,027,000. This excess, together with the purchase price, has been charged to "Trademarks and Contracts" and will be amortized over the 30 year term of an exclusive contract for the purchase and distribution of Don Q products in the United States. In addition, tax benefits resulting from the utilization of operating loss carryovers (approximately $1,175,000 at January 1, 1968, which expire in 1970 through 1972) against Don Q's future taxable income, will be deducted from "Trademarks and Contracts" (approximately $153,000 deducted for the six months ended June 30, 1968).

Heublein, Inc./Consolidated Balance Sheet/June 30, 1967 and 1968

1967	1968	ASSETS
		Current assets:
$ 5,621,000	**$ 3,452,000**	Cash
1,778,000	**5,000,000**	Short-term marketable securities, at cost (approximately market)
40,870,000	**46,530,000**	Accounts and notes receivable
		Inventories, at lower of cost (first-in, first-out) or market:
14,563,000	**14,676,000**	Finished products
2,697,000	**3,850,000**	Products in process
14,590,000	**18,542,000**	Raw materials and bulk whiskey
31,850,000	**37,068,000**	Total inventory
1,134,000	**698,000**	Prepaid expenses
81,253,000	**92,748,000**	**Total current assets**
		Property, plant and equipment, at cost:
2,730,000	**3,099,000**	Land
42,049,000	**44,363,000**	Buildings
54,018,000	**55,037,000**	Machinery and equipment
98,797,000	**102,499,000**	
58,878,000	**61,737,000**	Less accumulated depreciation
39,919,000	**40,762,000**	**Net Property, plant and equipment**
2,092,000	**2,825,000**	**Trademarks and contracts, at cost less amortization (Note 1)**
3,018,000	**2,606,000**	**Goodwill, at cost less amortization**
2,648,000	**2,230,000**	**Other assets**
$128,930,000	**$141,171,000**	

Note 2—Preferred Stock

Under sinking fund provisions, the Company is required to redeem 16,801 shares (14,016 held in treasury) of the 5% preferred stock on December 30 in each year from 1971 to 1995 at $100 per share. The 5% convertible preferred stock is convertible into common stock at the rate of six shares of common stock for each share of preferred stock. At June 30, 1968, there were 1,183,266 shares of unissued common stock reserved for conversion of the outstanding 5% convertible preferred stock. Both classes of preferred stock are subject to redemption in whole or in part at the option of the Company in the year beginning December 31, 1970 at $105 per share and at $1 less per share each year thereafter but not less than $100 per share after December 31, 1975.

Note 3—Common Stock

On October 19, 1967 an increase in the authorized common stock from 10,000,000 shares of $1 par value to 20,000,000 shares of no par value with a stated value of $.50 and a two-for-one split were approved by stockholders. All common share data in the accompanying consolidated financial statements and notes thereto have been adjusted to reflect the two-for-one split.

Under the Company's "Restricted Stock Option Plan" options for the purchase of 12,000 shares of common stock were outstanding and exercisable at June 30, 1968 (80,594 a year earlier) at a price of $9.50 per share. During the fiscal year 1968, options for the purchase of 58,594 shares were exercised at an average price of $9.34 per share, and options for the purchase of 10,000 shares were terminated. No further options can be granted under this plan.

Under the Company's "Qualified Stock Option Plan" options for the purchase of 326,968 shares of common stock were outstanding

LIABILITIES AND STOCKHOLDERS' EQUITY

1967	1968	
		Current liabilities:
$ 20,880,000	$ 20,994,000	Accounts payable and accrued expenses
		Taxes:
7,464,000	5,730,000	Federal and state taxes on income
16,122,000	24,518,000	Other
2,309,000	2,579,000	Cash dividends payable
46,775,000	53,821,000	**Total current liabilities**
194,000	144,000	**Deferred federal income tax relating to accelerated depreciation used for income tax purposes**
		Stockholders' equity:
		Preferred stock—par value $100 per share (Note 2):
40,754,000	40,602,000	5% preferred—500,000 shares authorized Issued—420,032 shares, less 14,016 shares in treasury (12,491 in 1967)
19,981,000	19,721,000	5% convertible preferred—200,500 shares authorized Issued—197,429 shares (200,031 in 1967), less 218 shares in treasury
		Common stock—without par value, stated value $.50 per share (Notes 2 and 3):
		Authorized—20,000,000 shares
5,168,000	5,217,000	Issued—10,433,950 shares (10,336,212 in 1967)
2,460,000	3,539,000	Paid-in surplus
13,671,000	18,200,000	Earned surplus
82,034,000	87,279,000	
73,000	73,000	Less cost of 4,188 shares of common stock in treasury
81,961,000	87,206,000	**Total stockholders' equity**
$128,930,000	$141,171,000	

See accompanying notes, pages 19 to 21.

at June 30, 1968 (245,000 a year earlier) at prices ranging from $12.78 to $35.63 per share and averaging $20.96 per share (of which options relating to 64,800 shares at prices ranging from $13.19 to $16.59 per share were exercisable). During the fiscal year 1968 options were granted for the purchase of 116,000 shares at prices ranging from $29.03 to $35.63 per share and averaging $30.59 per share. Options for the purchase of 23,532 shares at prices ranging from $12.78 to $16.59 per share and averaging $13.58 per share were exercised, and options for the purchase of 10,500 shares were terminated. At June 30, 1968 there were 626,500 shares available for future grant (732,000 a year earlier).

Pro forma earnings per share of common stock reflecting conversion of the outstanding 5% convertible preferred stock (see Note 2) and exercise of outstanding stock options amounted to $1.07 for the year ended June 30, 1968 ($1.03 a year earlier).

Note 4—Retirement Plan

Effective July 1, 1967, the Company consolidated several non-contributory retirement plans covering substantially all employees, except certain employees covered by various union pension plans, into one revised plan which provides for increased benefits. Under collective bargaining agreements, the Company makes contributions to various pension plans for certain union employees. The Company's policy is to fund the amounts accrued. Amounts charged to income for all plans were $1,345,000 in 1968 and $900,000 in 1967. At June 30, 1968 unfunded prior service cost under the revised plan was approximately $3,950,000 which is being funded over 30 years.

Heublein, Inc./Consolidated Statement of Paid-In Surplus

1967	1968	Years ended June 30
$ 1,326,000	**$ 2,460,000**	Balance at beginning of year
1,134,000	**826,000**	Excess of option price over stated value of common stock issued on exercise of options
—	**252,000**	Excess of par value of 2,602 shares of 5% convertible preferred stock over stated value of 15,612 shares of common stock issued upon conversion
—	**1,000**	Excess of par value over cost of 1,525 shares of 5% preferred stock purchased
$ 2,460,000	**$ 3,539,000**	Balance at end of year

Heublein, Inc./Consolidated Statement of Earned Surplus

1967	1968	Years ended June 30
$ 8,478,000	**$13,671,000**	Balance at beginning of year
14,135,000	**14,567,000**	Net income
		Cash dividends declared:
(3,043,000)	**(3,026,000)**	5% preferred stock
(5,899,000)	**(7,012,000)**	Common stock—$.68 per share ($.58 in 1967)
$13,671,000	**$18,200,000**	Balance at end of year

See accompanying notes, pages 19 to 21.

Heublein, Inc. / Consolidated Statement of Source and Use of Funds

1967	1968	Years ended June 30
		SOURCES
		Operations:
$14,135,000	**$14,567,000**	Net income
		Charges not requiring funds:
7,704,000	**6,510,000**	Depreciation and amortization
587,000	**158,000**	Other
22,426,000	**21,235,000**	Funds provided from operations
1,193,000	**867,000**	Proceeds from exercise of common stock options
793,000	**1,548,000**	Book value of assets sold
$24,412,000	**$23,650,000**	
		USES
$ 8,942,000	**$10,038,000**	Cash dividends
242,000	**152,000**	Purchase of treasury stock
8,671,000	**7,743,000**	Additions to property, plant and equipment
68,000	**1,188,000**	Additions to trademarks and contracts (principally acquisition of Don Q Imports, Inc. in 1968—Note 1)
800,000	**80,000**	Other
5,689,000	**4,449,000**	Increase in working capital
$24,412,000	**$23,650,000**	

1967 figures have been reclassified to conform to 1968 classifications.
See accompanying notes, pages 19 to 21.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Heublein, Inc.

We have examined the accompanying consolidated balance sheet of Heublein, Inc. and subsidiaries at June 30, 1968 and the related consolidated statements of income, paid-in surplus and earned surplus and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Heublein, Inc. and subsidiaries at June 30, 1968, the consolidated results of their operations and the source and use of their consolidated funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N.Y.
July 19, 1968

Heublein, Inc./Comparison with Prior Years

Dollars in thousands except per share statistics	1968	1967	1966	1965	1964
For the year:					
Net Sales	**$383,972**	$362,847	$328,319	$298,442	$265,553
Net income	**14,567**	14,135	12,768	11,638	9,160
Net income as a percent of sales	**3.79%**	3.90%	3.89%	3.90%	3.45%
Taxes of all kinds	**185,955**	170,481	162,287	144,566	125,477
Dividends:					
Preferred requirements	**3,026**	3,043	3,075	3,100	3,100
Common	**7,012**	5,899	4,653	3,672	2,893
Earnings retained in the business	**4,529**	5,194	5,040	4,866	3,167
Depreciation	**6,041**	7,223	5,509	5,235	5,614
Capital expenditures	**7,743**	8,671	9,451	5,183	3,843
*Per common share:**					
Net income (after federal tax surcharge equal to $.07 in 1968)	**1.11**	1.07	.95	.85	.62
Dividends declared	**.68**	.58	.48	.38	.30
Income taxes	**1.51**	1.33	1.18	1.15	.99
All taxes	**17.93**	16.50	15.89	14.35	12.78
At year end:					
Net fixed assets	**40,762**	39,919	39,264	34,760	35,056
Working capital	**38,927**	34,478	28,789	27,478	21,088
Current asset ratio	**1.7 to 1**	1.7 to 1	1.7 to 1	1.8 to 1	1.6 to 1
Return on invested capital	**16.7**	17.2	16.8	16.3	13.9
Preferred stock	**60,323**	60,735	60,977	62,006	62,006
Number:					
Employees	**3,374**	3,458	3,320	3,243	3,226
Common shareholders	**13,961**	12,192	13,232	13,606	11,440
Common shares*	**10,429,762**	10,332,024	10,214,280	10,075,508	9,821,122
Preferred shares	**603,227**	607,354	609,773	620,063	620,063

The above statistical summary includes, in all years, amounts applicable to Theo. Hamm Brewing Co. and Coastal Valley Canning Co. acquired in fiscal year 1966 in transactions treated for accounting purposes as pooling of interests.

*Prior years adjusted for two-for-one stock split in October 1967.

Transfer Agents

The Bank of New York
48 Wall Street, New York, New York 10015

Continental Illinois National Bank and Trust Co. of Chicago
231 So. LaSalle Street, Chicago, Illinois 60690

Registrars

Morgan Guaranty Trust Co. of New York
23 Wall Street, New York, New York 10015

The Northern Trust Company
50 So. LaSalle Street, Chicago, Illinois 60690

Heublein, Inc./Principal Offices and Plants

CORPORATE HEADQUARTERS
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

SPIRITS AND WINE DIVISION HEADQUARTERS
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Arrow Liquor Sales Co.
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Smirnoff Sales Co.
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Vintage Wines Co.
3 East 54th St., New York, N. Y. 10022 *Code 212 755-2300*

Regional Offices:

Eastern Regional Liquor Sales Office
3 East 54th St., New York, N. Y. 10022 *Code 212 755-2300*

Central Regional Liquor Sales Office
2720 Des Plaines Ave., Des Plaines, Ill. 60018 *Code 312 299-6146*

Southern Regional Liquor Sales Office
Bayside Bldg.—Suite 505, 2909 Bay to Bay Blvd., Tampa, Fla. 33609
Code 813 839-6333

Southwest Regional Liquor Sales Office
511 Casa Linda Plaza, Dallas, Tex. 75218 *Code 214 321-6485*

Western Regional Liquor Sales Office
2060 East 49th St., Los Angeles, Calif. 90058 *Code 213 587-3196*

Plants:

330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

2500 Enterprise Dr., Allen Park, Mich. 48101 *Code 313 271-3100*

151 Commonwealth Dr., Menlo Park, Calif. 94025 *Code 415 324-2751*

CONSUMER PRODUCTS DIVISION HEADQUARTERS
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Coastal Valley Canning Co.
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Plants:

330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Box 1348, Oxnard, Calif. 93030 *Code 805 483-2377*
P.O. Box 341, Douglas, Ariz. 85607

THEO. HAMM BREWING CO. HEADQUARTERS
720 Payne Ave., St. Paul, Minn. 55101 *Code 612 776-1561*

Regional Offices:

2720 Des Plaines Ave., Des Plaines, Ill. 60018 *Code 312 299-6141*

3801 Kirby Drive, Houston, Texas 77006 *Code 713 JA 8-1971*

Breweries:

720 Payne Ave., St. Paul, Minn. 55101 *Code 612 776-1561*

2080 East 49th St., Los Angeles, Calif. 90058 *Code 213 589-6666*

1550 Bryant St., San Francisco, Calif. 94103 *Code 415 626-1500*

INTERNATIONAL DIVISION HEADQUARTERS
330 New Park Ave., Hartford, Conn. 06101 *Code 203 233-4461*

Heublein, Inc. / A World of Fine Products

SPIRITS AND WINE DIVISION—Alsatian Wines • Ancilli Classico Chianti Italian Table Wine • Arrow Bitters: Boonekamp - Mallort - Pelinkovac • Arrow Cordials: Anisette - Creme de Almond - Creme de Cacao, Brown - Creme de Cacao, White - Creme de Menthe, Green - Creme de Menthe, White - Curacao - Kummel - Kirsch - Ouzo - Peppermint Schnapps - Rock and Rye - Sloe Gin - Triple Sec • Arrow Flavored Brandies: Apricot - Blackberry - Coffee - Ginger - Peach - Wild Cherry • Arrow Flavored Gins: Lemon - Mint - Orange • Arrow Flavored Vodkas: Cherry - Grape - Lime - Mint - Orange - Peppermint • Arrow Grenadine • Bell's Scotch: Bell's 8 - Bell's 12 - Bell's 20 - Bell's Extra Special • Bergerac Wines • Bertani Verona Italian Table Wines: Bardolino - Bertarose - Reciotto - Soave - Valpolicella • Bigi Italian Table Wines: Orvieto, Est! Est! Est! • Bisquit Cognacs: Extra - Napoleon - St. Martial - V.S.O.P. • Black Velvet Canadian Whisky • Bouchard Pere & Fils Bordeaux Table Wines • Bouchard Pere & Fils Burgundy Table Wines: Beaujolais Superieur - Chablis Premier Cru Fourchaume - Chambertin "Clos de Beze" - Le Croton - Montrachet -Pommard - Pouilly Fuisse - Richebourg • Byrrh Aperitif French Cocktail Wine • Chateau Bottled Bordeaux Table Wines: Chateau Bouscaut (Graves) - Chateau Latour (Pauillac) - Chateau St. Georges (St. Emilion) • Club Cocktails: Daiquiri - Manhattan - Margarita - Martini - Screwdriver - Whiskey Sour • Don Q Gold Rum • Don Q White Rum • El Dorado Rum • Felipe II Spanish Brandy • Fonseca Wines • French Champagne: Louis Royer - Montebello • Harveys Sherries and Ports: Amontillado Cocktail Sherry - Bristol Cream Sherry - Bristol Fino Sherry - Bristol Milk Sherry - The Director's Bin Port - Gold Cap Port - Hunting Port - Shooting Sherry - Tico Cocktail Sherry • Harveys Selection Table Wines: Chateau Bottled Bordeaux - Estate Bottled Rose - Estate Bottled Burgundy - Estate Bottled Moselle - Estate Bottled Rhine - Estate Bottled Rhone Valley • Heublein Banquet Cocktails • Heublein Full-strength Cocktails: Apricot Sour - Black Russian - Brandy Manhattan - Daiquiri - Extra Dry Gin Martini - 11-to-1 Gin Martini - Mai-Tai - Margarita - Manhattan - Old Fashioned - Scotch Mist - Side Car - Stinger - Tequila Sour - Vodka Gimlet - Vodka Martini - 11-to-1 Vodka Martini - Vodka Sour - Whiskey Sour • Heublein Vermouth Sweet and Dry • Hungarian Liqueurs: Baracklikor - Barack Palinka - Beverage Bitters - Czaszkorte • Hungarian Wines: Egri Bikaver - Greyfriar Szurkebarat - Hungarian Rizling - Tokay Aszu - Voros Szekszardi • Imported English Gin: Christy & Brooks London Dry Gin • Imported Slivovitz: Hungarian and Serbian • Irish Mist Liqueur • J & G Grant's Glenfarclas Glenlivit • Jose Cuervo Tequila • Kiku Masamune Sake • Koskorva Imported Finnish Vodka • Lancers Vin Rose • Loire Wines • McMaster's Canadian • McMaster's Scotch • Matador Tequila • Milshire Charcoal Filtered Gin • Paul Jaboulet Aine Rhone Table Wines: Chateauneuf de Pape "Les Cedres" - Hermitage "La Chapelle" - Tavel Vin Rose • Popov Vodka • Provence Rose Table Wines: Chateau Bottled Domaine des Vannieres • Quinta Red Table Wine • Relska Vodka • Rheinhof German Table Wines: Liebfraumilch - May Wine - Moselblumchen - Zeller Schwarze Katz • Smirnoff Vodka 80° • Smirnoff Vodka 100° • Trespal French Vermouth • Tullamore Dew Irish Whiskey • Valle Freres French Table Wines: Anjou Rose - Bergerac - Bordeaux - Burgundy - Vouvray • Vinya Rose Table Wine • **CONSUMER PRODUCTS DIVISION**—A.1. Sauce • Canyon State Green Chiles • Co-Va-Co Diced Bell Peppers • Co-Va-Co Pimientos • Escoffier Sauce Diable • Escoffier Sauce Robert • Grey-Poupon Mustard • La Costa Chile Strips • La Mesa Green Chiles • La Mesa Pimientos • Ortega Diced Green Chile • Ortega Diced Pimientos • Ortega Enchilada Sauce • Ortega Green Chile Salsa • Ortega Green Chile Strips • Ortega Hot (Jalapenos) Peppers • Ortega Sliced Pimientos • Ortega Taco Sauce • Ortega Tomatoes & Hot Green Chiles • Ortega Whole Green Chile • Ortega Whole Pimientos • Snap-E-Tom Tomato Cocktail • S-Y Diced Green Chiles • S-Y Whole Green Chiles • "Tonight" Dry-mix Cocktail: Bourbon Sour - Collins - Daiquiri - Gimlet - Gin Sour - Mai-Tai - Margarita Scotch Sour - Vodka Sour - Whiskey Sour • **THEO. HAMM BREWING CO.** —Buckhorn Beer • Hamm's Beer • Velvet Glove Malt Liquor • Waldech Beer

HEUBLEIN, INC. • 330 NEW PARK AVENUE • HARTFORD, CONNECTICUT, U.S.A.